



MIZRAHI-TEFAHOT BANK LTD

TAILORED RESOLUTION PLAN –

PUBLIC SECTION

DECEMBER 2015

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1. Introduction

To promote financial stability, section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) and the related rule (“165(d) Rule”) require each bank holding company with consolidated assets of \$50 billion or more (“Covered Company”) to periodically submit to the Board of Governors of the Federal Reserve System (“Federal Reserve”) and the Federal Deposit Insurance Corporation (“FDIC”), a plan for that company’s rapid and orderly resolution in the event of material financial distress or failure (“165(d) Resolution Plan”). As such, and due to its size, Mizrahi-Tefahot Bank Ltd. (“UMTB”) is a Covered Company and, therefore, has developed a 165(d) Resolution Plan under the Dodd-Frank Act and the 165(d) Rule.

Under the requirements of the Rule, Covered companies are required to assess their U.S. banking operations for the presence of “Material entities”, “Critical operations”, and “Core business lines”. UMTB performed this assessment and determined that local operations through its LA Branch are not considered Material Entities, Critical operations or Core business lines as defined in the Rule. Therefore, the focus of this Resolution Plan is the orderly resolution of the Los Angeles Branch as an extension of the covered company in the US.

Description of UMTB

Mizrahi Tefahot Bank Ltd. (“the Covered Company”), a public company, was associated on June 6, 1923, under the name Mizrahi Bank Ltd. (later on was merged with Hapoel Hamizrahi Bank Ltd. And changed its name to United Mizrahi Bank Ltd. (“Mizrahi Bank”), and it was issued the license to commence business on May 13, 1924. Mizrahi Bank has merged with Tefahot bank in January 2005 and since then is operating under the Mizrahi-Tefahot Bank Ltd trade name.

The UMTB Group operates in Israel and overseas. The UMTB is engaged in commercial banking (business and retail) as well as mortgage activities in Israel, through a nation-wide network of 176 branches and business centers. The UMTB 's overseas operations are conducted via three bank affiliates, two branches and a subsidiary . UMTB Group employs approximately 5,900 employees and present annual income of approximately USD 935 Million (as of December 2014).

Overview of the Los Angeles Branch

UMTB maintains a licensed branch in Los Angeles (“UMTB LA”). In the United States, UMTB LA is regulated by the Federal Deposit Insurance Corporation (FDIC), and by the California Department of Business Oversight (DBO) . Because UMTB’s total consolidated global assets exceed \$50 billion, it is a covered company under Regulation QQ and must submit a resolution plan that covers its U.S. operations.

The branch is primarily engaged in commercial banking, participating in syndicated loans and receiving deposits. Deposits with this branch are insured by the Federal Deposit Insurance Corporation (FDIC). The LA Branch employs 14 (0.2% of total group employees) employees as of 31/12/14, presents annual income of USD 8 Million (0.8% of total group revenues). The LA Branch is not considered significant activity of the Bank group and is immaterial to the US economy as a whole

2. The names of material entities

UMTB assessed its U.S banking operations for the presence of "Material entities" and determined that there is none, as defined in the Rule. Hence, the focus in this Resolution Plan is the orderly resolution of Los Angeles Branch, as an extension of the Covered company, Mizrahi-Tefahot Bank Ltd.

3. Description of core business line

The Covered Company's only USA based entity is the LA Branch. The Covered Company does not consider the LA Branch as either Material Entity or a Critical Operation. The LA Branch's Core Business Lines include (but are not limited to):

- a) Loans issuance (Real Estate related);
- b) Personal Deposits;
- c) Certificates of Deposits;
- d) Securities; and
- e) Investments (Bank Use)
- f) Syndications

4. Summary of financial information

UMTB Consolidated Statement of Financial Position		
USD (000)*		
ASSETS	2014	2013
Cash and deposits with banks	6,891	6,701
Securities	3,666	1,800
Securities loaned or sold in repurchase agreements	28	18
Loans to the public	38,291	35,968
Provision for credit losses	-345	-338
Loans to the public, net	37,945	35,630
Loans to Governments	79	78
Investments in investees (consolidated - associates)	13	15
Buildings and equipment	438	426
Intangible assets and goodwill	22	22
Assets with respect to derivatives	1,440	927
Other assets	535	567
Total Assets	51,057	46,185
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits from the public	39,182	36,319
Deposits from banks	322	525
Deposits from the Government	13	16
Securities loaned or sold in conjunction with repurchase agreements	60	-
Debentures and subordinated notes	5,292	4,228
Liabilities with respect to derivatives	1,671	910
Other liabilities	1,560	1,530
Total liabilities	48,100	43,528
Equity attributable to equity holders of the Bank	2,825	2,533
Non-controlling interest	132	124
Total equity	2,957	2,657
Total liabilities and shareholders' equity	51,057	46,185

*Utilizing a 3.889 USD/NIS conversion rate

5. Description of derivatives and hedging activities

1. Material off-balance sheet exposures

Covered Company's LA Branch off-balance sheet exposures information

Exposure Type	Counterparty
SWAPS	Goldman Sachs; Bank of Montreal; Head Office
CLN	Deutsche Bank; HSBC

2. Trading and derivatives activities practices

The Covered Company's US Domestic Branch is not engaged in trading activities. Derivatives are utilized for hedging of its floating interests rates instruments and occasionally could be utilized as part of investment strategies such as CLN, etc.

3. Material hedges

The Covered Company has identified the following material hedges related to trading and derivatives activities of its US Domestic Branch

Hedging Activity	Counterparty
SWAPS	Head Office

4. Hedging strategies

The Covered Company's LA Branch strives to be interest rate risk neutral; all of its hedging strategies are in effect to achieve that goal

6. Memberships in material payment, clearing and settlement systems

Trading, payment, clearing, or settlement system membership

The Covered Company have identified the following trading, payment, clearing, or settlement system of which its LA Branch, directly or indirectly, is a member and on which it conducts a material number or value amount of trades or transactions:

Counterparty	Type	Description
<i>Depository Trust Company (DTC)</i>	<i>Clearing system</i>	Is the central clearer for issuance of Brokered CD's by which proceeds are received and payments of principle and interests are performed on maturity
<i>FED Advantage</i>	<i>Account management at the Federal reserve</i>	Is the electronic web based payment system of the Federal Reserve Bank by which all wire activity is executed
<i>Bank of NY Mellon</i>	<i>Custodian</i>	Is the US dollar correspondent Bank and custodian Bank for the LA Branch's Investment Portfolio
<i>Union Bank</i>	<i>Custodian</i>	Is the custodian for regulatory pledged securities (Treasury Bills)

7. Description of foreign operations

The Bank Group operates in Israel and overseas. The Bank Group is engaged in commercial banking (business and retail) as well as mortgage activities in Israel, through a nation-wide network of 176 branches and business centers in Israel. The Bank's overseas operations are conducted via 3 bank affiliates two branches and a subsidiary.

International operations, in Israel and overseas, report to the International Operations Activities and Private Banking sector in the Bank's Financial Division. In addition, affiliate operations are supervised and controlled by various Bank entities.

8. Material supervisory authorities

1. Federal, state, or foreign agency or authority

The Covered Company has identified the following agencies and/or authorities having supervisory authority or responsibility for ensuring the safety or the soundness of the LA Branch core business lines operations:

- a. Federal Deposit Insurance Corporation (FDIC)
- b. California Department of Business Oversight (DBO)

2. Other agency or authority with significant supervisory or regulatory authority over the Covered Company

- a. Bank of Israel
- b. Israeli Securities Exchange Commission

9. Principal officers

1. Covered Company senior official:

- a. Moshe Lari, Member of the Management Board, CFO.
- b. Arik Bandel, Head of International Activity and Private Banking.

2. LA Branch senior officer:

- a. Nahum Precel, Head of US Operations.
- b. Mary Mikolaitis-Ryan, S.VP Chief Compliance Officer and BSA Officer.

10. Resolution planning corporate governance structure and process

1. Corporate governance structure and processes

Governance of the LA resolution plan has been delegated to the Covered Company's CFO. In this capacity, the Head of International Activities and Private Banking is appointed to supervise the LA Branch resolution planning through the following defined activities:

- 1) Timely initial implementation of the LA Branch Resolution Plan through:
 - a) The issuance of an approved resolution plan for the LA Branch in accordance with all FDIC requirements and approvals
 - b) Defining and assembling a resolution plan process and internal controls to ensure the LA Branch resolution plan effectiveness
- 2) Design and issuance of related policies, procedures and internal controls to substantiate the LA Branch resolution plan effectiveness
- 3) Perform periodical plan updates where required in accordance with the Covered Company's or its LA Branch organizational restructuring, material activities and/or balance sheet balances updates and modifications, where applicable or
- 4) Develop and maintain monitoring of the LA Branch Resolution Plan through periodical risk assessments, and control effectiveness examinations

2. Company's policies, procedures, and internal controls

In accordance with the Covered Company's corporate governance and structure defined for the LA Branch Resolution Plan, a dedicated policy and procedures will be issued and implemented, encompassing the process, internal controls, responsibilities and monitoring activities by the Covered Company.

11. Description of material management information system

Fidelity Information Systems hosts the Covered Company LA Branch core processing and online banking platforms. Its online banking is non- transactional, by which customers can only review and not perform banking transactions. Other general system architecture characteristics include the followings:

1. The LA Branch does not originate ACHs and does not utilize ATMs.
2. The Branch is processing its Wire Transfers through FedLine.
3. The Branch receives IT/Information Security support from its Head Office in Israel. The Head of IT Security & Fraud, for the whole organization and IT Liaison for International Activities, is a member of the Branch's IT Steering Committee.

A complete inventory of the Covered Company LA Branch key information system and applications are presented in the below enclosed table

Information System /Application	System Function
BAM	AML Monitoring
FDIC	FDIC Connect
FedLine	Wire Transfer and FedLine for Check Processing
Fidelity	General Ledger, ACH, Call Reporter, Loans, Deposits, Acquire (for Archiving) Teller Pro, Item Processing, Sungard (Portfolio Management)
FinCEN	BSA E-Filing
Bridger Insight	OFAC--WEB version
MS Exchange 2010	Exchange Server

12. High levels description of resolution strategies

As required by the 165(d) Rule, UMTB has developed strategies for the resolution of its Material Entities. The Resolution Plan proposes two strategies for the orderly resolution of UMTB's Material Entities and Core Business Lines within a reasonable period of time. The strategies are based on supervisory assumptions and the hypothetical idiosyncratic stress event that UMTB has assumed for purposes of developing the Resolution Plan. UMTB believes that each resolution strategy is feasible and would not give rise to adverse effects on the financial stability of the United States. The resolution strategies are summarized below:

1. **UMTB:** Financial distress affecting the Covered Company head office and main operations in Israel that could potentially result in the Covered Company resolution. In the event of its failure, UMTB would be resolved under local Bankruptcy Code and its assets liquidated through sales process; Under these circumstances, the Covered Company's LA Branch is to assume operational independence and resort to ensuring that its external obligations are served through its liquidity surplus
2. **UMTB LA:** Economic and financial distress affecting only the Covered Company's LA branch financial operations. The resulting effect by which the Covered Company's maintains its operations and core businesses globally and only the LA Branch is affected. In the event of its failure, UMTB's LA Branch would be subject to the FDIC receivership process under the FDIA. UMTB has developed resolution strategies for its LA Branch by identifying a range of sale and disposition options for the FDIC to consider. The options identified are intended to achieve maximum value for the receivership, incur the least cost to the FDIC's Deposit Insurance Fund, and ensure clients have access to their insured deposits in a timely manner. Under these circumstances, the Covered Company is committed to ensure that its LA Branch's obligations are met through either own local readily available assets or where required, liquidity provided by the Head Office.

13. Conclusion

The resolution plan provides for an orderly resolution UMTB's LA branch within a reasonable time period, in the event of material financial distress or failure without posing systemic risk to the larger financial system and without the need for any government or taxpayer support. In addition, due to its straightforward organizational structure and limited activity, it is expected that the resolution of UMTB LA could be achieved in a rapid and orderly manner and would have no impact on the broader US economy. Additionally, in an actual resolution scenario, the optimal resolution outcome may differ from the strategies proposed in the Resolution Plan. Nevertheless, UMTB believes that it has developed an effective and feasible Resolution Plan.